



County of San Diego

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TO: Supervisor Bill Horn, Chairman
Supervisor Ron Roberts, Vice Chairman
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FROM: Walter F. Ekard
Chief Administrative Officer

HIGHLIGHTS OF THE GOVERNOR'S PROPOSED FY 2011-12 STATE BUDGET AND POTENTIAL COUNTY IMPACTS

On January 10, Governor Jerry Brown unveiled a budget proposal aimed at addressing an estimated \$25.4 billion state budget shortfall – consisting of a current year deficit of \$8.2 billion that would remain at the end of FY 2010-11 absent any budgetary action and an additional \$17.2 billion shortfall in FY 2011-12. Ten days later the Governor declared a fiscal emergency and called the Legislature into special session to address the state's fiscal crisis.

The Governor outlines \$26.4 billion in proposals for addressing the \$25.4 billion deficit and for providing a \$1 billion reserve. The Governor's Proposed Budget attempts to address the budget gap through \$12.5 billion in expenditure reductions, funding shifts and borrowing, the continuation of four temporary tax increases set to expire this year, and through a realignment of government that would shift the administration of specified government services from the state to the local level.

The first phase of the Governor's proposed realignment focuses on public safety programs and includes shifting state responsibility and authority to the local level in the areas of fire and emergency response activities, court security, management of low-level offenders and adult parolees, juvenile justice programs, substance abuse disorder treatment, foster care and child welfare services, adult protective services, and three mental health programs as well as shifting funding for local public safety programs. The second phase of the Governor's proposed realignment would focus on implementation of national health care reform. The Governor's rationale for proposing such a significant realignment is based on the premise that local government can run programs in a more cost effective and efficient manner because they are much closer to the people who are receiving the services. Numerous questions about the details, process and structure of the realignment proposals remain unanswered.

A large part of the Governor's proposed expenditure reduction includes various cuts to the Medi-Cal program and decreases in state funding for CalWORKs.

Furthermore, the Governor's Proposed Budget calls for a June 2011 special election where California voters would be asked to extend current personal income and sales taxes, as well as the Vehicle License Fee (VLF) rate for five more years. The state relies on the revenue from sales tax and VLF to finance a portion of the Governor's Proposed Budget realignment plan. Extension of the VLF is required in order to preserve nearly \$20.6 million in current funding for public safety in San Diego County.

The Governor's Proposed Budget is silent on what additional cuts would be on the table in the event California voters reject extending the tax measures in June 2011. Should the tax measures be extended for an additional five years, the Governor's Office has suggested the state would remain responsible for continuing to provide funding after the tax extension sunsets. The lack of a dedicated funding source in future years could result in a significant impact for the County of San Diego should the proposed realignment be adopted.

Additional components of the Governor's Proposed Budget include the phasing out of existing redevelopment agencies and the reenactment of the 2010 gas tax swap in order to protect revenue for highways and transit.

The attached document includes highlights of the Governor's proposed FY 2011-12 state budget and potential impacts to the County of San Diego.

Respectfully,

A handwritten signature in black ink, appearing to read "Walter Ekard", written in a cursive style.

WALTER F. EKARD
Chief Administrative Officer

Attachment

cc: ACAO, CSG, FGGG, HHSA, LUEG, PSG, CNL, CLK, OSIA

GOVERNOR'S PROPOSED FISCAL YEAR 2011-12 STATE BUDGET POTENTIAL IMPACTS ON THE COUNTY OF SAN DIEGO



MISCELLANEOUS BUDGET

State Budget Deficit (*Governor's Proposed Budget Summary, Page 4*)

- California is projected to face a budget gap of \$25.4 billion. The gap is made up of a current-year (FY 2010-11) shortfall of \$8.2 billion and a budget year (FY 2011-12) shortfall of \$17.2 billion. The Governor's Proposed Budget outlines \$26.4 billion in proposals for addressing the \$25.4 billion budget gap through expenditure reductions, a temporary continuation of taxes and through a realignment of government services. The remaining \$1 billion in solutions would leave the state with a reserve at the end of FY 2011-12.

State's Cash Flow (*Governor's Proposed Budget Summary, Page 8*)

- The Governor's Proposed Budget projects the state will have sufficient cash to repay the entire \$10 billion of Revenue Anticipation Notes (RANs) as scheduled in May and June 2011.
- The Governor's Proposed Budget provides that absent corrective action, the state will face significant challenges in meeting all general fund cash needs beginning in July 2011.
- In addition to budget solutions the state will need to obtain external financing early in the fiscal year.
- The Governor's Proposed Budget indicates it is likely that most allowable payment deferrals in effect during FY 2010-11 will need to be continued in FY 2011-12 to align receipts and disbursements and to reduce the need for external borrowing.

Unknown County Impact

Realignment (*Governor's Proposed Budget Summary, Page 6*)

- The Governor's Proposed Budget aims to restructure the state-local relationship by shifting \$10 billion in public services from Sacramento to local governments in an effort to eliminate duplication of services, administration costs and allow government to become more efficient, more effective and less expensive. The proposed shift is based on the premise that local government can run programs in a more cost effective and efficient manner than the state because local government is closer to the people who receive the services.
- The realignment proposal consists of two phases. Phase One will include public safety areas and mental health. This phase will be funded by extending the Vehicle License Fee (VLF) and the sales tax increase for five years (contingent upon voter approval). Mental health services realignment will be funded by Proposition 63. Phase Two focuses on the implementation of national health care reform (**See Health and Human Services & Public Safety sections of this document**).
- Numerous questions about the details, process and structure of the realignment proposals remain unanswered.

Accelerated Budget Timeline (*Governor's Proposed Budget Summary, Page 6*)

- The Governor's Proposed Budget calls for an accelerated timeline in an effort to restore balance to the state's finances. It assumes that all necessary statutory changes to implement budget solutions will be adopted by the Legislature and signed by the Governor in March. The rapid timeline is necessary according to the Governor's Office in order for ballot measures to be ready for a special election to be held in June 2011.

Special Election June 2011 (*Governor's Proposed Budget Summary, Pages 26-27 & 40-42*)

- The Governor's Proposed Budget calls for a June 2011 special election where California voters would be asked to extend current personal income and sales taxes as well as the Vehicle License Fee (VLF) rate for five years. The revenue from the sales tax and VLF will be transferred directly to local governments to finance the first phase of the Realignment Plan (**See Public Safety and Community Services sections of this document**).

County Impact

- Extension of VLF is required to preserve nearly \$20.6 million in current funding from the VLF for public safety in San Diego County.

- While the Governor's office has verbally indicated that the state would remain responsible for funding after the five year tax extension sunsets, the lack of a dedicated funding source beginning in year six would result in an unknown County impact.
- The Governor's Proposed Budget does not include a reimbursement to counties for the proposed June Special Election.

Reducing Waste and Redundancies in Government (*Governor's Proposed Budget Summary, Page 7*)

- The Governor's Proposed Budget outlines a number of reductions and cuts within the Administration including eliminating the Office of Secretary of Education and the Office of the Inspector General for the American Recovery and Reinvestment Act program. The Governor also will reduce his Office Budget by 25 percent. He has directed all state agency departments to find cost savings within their own programs and budgets.
- The Governor's Proposed Budget calls for a number of efficiency and reduction opportunities the Administration will undertake including reducing the number of cell phones used by state employees by 50 percent and reducing the number of vehicles the state maintains by requiring justification of the purpose and necessity of each state owned vehicle.

COMMUNITY SERVICES

Redevelopment (*Governor's Proposed Budget Summary, Pages 28 & 168-172*)

- The Governor's Proposed Budget aims to phase out redevelopment agencies (RDAs) beginning in FY 2011-12. RDAs would be directed to suspend the creation of new projects and successor agencies would assume existing debts and contracts to be retired according existing payment schedules.
- The Governor's Proposed Budget suggests a new funding mechanism for local redevelopment and a shift in property taxes to other local entities. The proposal calls for the following:
 - Statutory elimination of RDAs that would protect obligations for debt service and existing contracts and would divert \$1.7 billion to the state's general fund in FY 2011-12 for Medi-Cal and trial courts. One-time funding would be provided equal to pass-through payments that otherwise would be received. There would be an estimated \$210 million left over for distribution to counties, cities, and special districts, according to their proportionate share of current property tax. Existing RDAs would have to be disestablished by July 1, 2011.
 - In subsequent budget years, the tax increment property tax that remains after payments on debt service and existing contracts would go to the counties, cities, non-enterprise special districts and schools. It is estimated that there would be a \$50 million exception in the amount currently going to enterprise special districts which are fee-supported; this funding is proposed to go to counties.
 - The current balances in redevelopment agencies housing set-aside funds are proposed to be shifted to local housing authorities, to be allocated towards low and moderate income housing.
 - The Governor's Proposed Budget suggests the passage of a constitutional amendment to provide for 55-percent voter approval for local, limited tax increases and bonding against local revenues for economic development projects similar to those currently funded through redevelopment.

County Impact

- Preliminary estimates for FY 2011-12 are as follows:
 - County general fund—Estimated one-time additional revenue of approximately \$8 million.
 - County general fund—Poway agreement – Pass through payments for the acquisition, construction, maintenance and operational costs of regional criminal justice facilities are anticipated to be included in the one-time payments described above.
 - County Redevelopment Agency – The redevelopment agency would be dissolved and its obligations would need to be assumed by another County fund. Depending on enabling legislation, tax increment revenue may potentially be received only to repay debt or existing contractual obligations, with no funding for costs to administer or monitor these obligations.
 - Upper San Diego River Improvement Project Area—Loss of approximately \$1 million in tax increment revenue, based on existing debt and contractual payment of \$600,000. Estimated potential annual impact to County departments, if costs to administer debt are not reimbursed in the future is approximately \$120,000.

- Gillespie Field Project Area—Loss of approximately \$1.6 million in tax increment revenue, based on an existing debt payment of \$1.1 million. Estimated potential annual impact to County departments, if costs to administer debt are not reimbursed in the future, is approximately \$110,000.
- Low-Income Housing Program—Loss of approximately \$850,000 in tax increment revenue set aside for low-income housing in the two project areas.
- Library fund—Estimated one-time additional revenue of approximately \$270,000.
- Impact in subsequent years as existing redevelopment agencies' debt and contracts are paid off is unknown.

June Special Election (*Governor's Proposed Budget Summary, Pages 3, 6 & 27*)

- The Governor is requesting that a special election be held in June 2011 regarding extension of specified income and sales taxes and VLF (**See Miscellaneous Budget section of this document**).
- The Governor's Proposed Budget does not identify a funding source to reimburse counties for election costs.
 - County Impact
 - The cost of a conducting a special election in June 2011 is estimated to be \$5 million to \$6 million.

Suspension of Election-Related Mandates (*Governor's Proposed Budget Summary, Pages 164-165*)

- The Governor's Proposed Budget states that the state would suspend most mandates not related to public safety or property taxes, presumably including election-related mandates. Election-related SB 90 claims are for voter registration, absentee ballots, and permanent absentee voters.
 - County Impact
 - Estimated \$1.5 to \$1.8 million in lost revenue per year.

Libraries (*Governor's Proposed Budget Summary, Page 146*)

- The Governor's Proposed Budget aims to decrease general fund assistance for local libraries by \$30.4 million in FY 2011-12, resulting in the elimination of state funding for the following programs: Public Library Foundation, California Library Literacy and English Acquisition Services, and the California Library Services Act. These revenues are currently provided for the literacy program, to reimburse interchange costs, and for general library operations.
 - County Impact
 - \$508,000 revenue loss in FY 2011-12. Loss of this revenue would impact County library services available to clients, including the purchase of new books and materials.

Housing Bonds (*Governor's Proposed Budget Summary, Pages 87-88*)

- The Governor's Proposed Budget includes a decrease of \$99 million in FY 2011-12 to reflect a one-time pause in the issuance of state bonds for new loans and grants for housing projects. This does not affect projects that are already underway.
 - County Impact
 - Since this avenue of funding would no longer be available to the development community, increased interest in federal funding opportunities administered by County Housing and Community Development (HCD), such as Notices of Funding Availability (NOFA), is anticipated.

FINANCE AND GENERAL GOVERNMENT

State Mandates (*Governor's Proposed Budget Summary, Pages 164-165*)

- The Governor's Proposed Budget plans a reduction of \$227.8 million in FY 2011-12 as a result of suspending most mandates not related to law enforcement or property taxes and proposes the development of a process with the Legislature for the review of reimbursable mandates.
 - County Impact
 - The County has executed several of the election-related mandates that are being proposed for suspension (**See Community Services section of this document**).
 - The suspension of Open Meetings Act/Brown Act Reform mandates would result in a loss of more than \$75,000 in reimbursable costs, based on the most recent claims filed by the County.

- AB 3632, the mandated mental health services for special education students, would be funded with Proposition 63 funds within the state's Department of Mental health budget.

County Impact

- This mandate was suspended in a previous budget action. Assuming the proposed alternate funding strategy for this program is feasible and caseloads do not change, no adverse impact is expected (**see Mental Health Services in Health and Human Services section of this document**).
- Pre-2004 mandate obligations would be deferred for a one-time reduction of \$94 million in the FY 2011-12 state budget.

County Impact

- The state currently owes the County more than \$34 million in pre-2004 mandate payments. This proposal defers the repayment of this obligation until a later year. According to Proposition 1A, this obligation must be paid by FY 2020-21.

Williamson Act Program (*Governor's Proposed Budget Summary, Pages 172-173*)

- The Governor's Proposed Budget eliminates the current-year appropriation for Williamson Act subventions and does not provide ongoing state funding.

County Impact

- The County of San Diego currently has 61,000 acres under Williamson Act contracts. This acreage equates to an approximate assessed value of \$1.7 million in property tax. Until FY 2009-10, the County received some subvention funding from the state to supplement the loss of total property tax from those lands. The County last received a subvention payment in FY 2008-09 and it was for \$79,721 (equating to a loss of \$1.62 million in assessed value). Since then, the County has received no Williamson Act subvention funding. There would be no new budgetary impact to the County from the Governor's proposal for FY 2011-12 since the County no longer budgets the \$79,721 in revenue. Furthermore, as a result of the lack of funding in the last several years, the Board of Supervisors adopted a temporary suspension for new contracts through 2015 or until state funding is resumed.
- Currently, existing contracts are allowed to continue.

Repeal Enterprise Zone Tax Benefits (*Governor's Proposed Budget Summary, Pages 44-45*)

- The Governor's Proposed Budget eliminates all enterprise zone (EZ) tax incentives and similar tax incentives for Targeted Tax Areas, Manufacturing Enhancement Areas, and Local Agency Military Base Recovery Areas for tax years beginning on or after January 1, 2011.

Local Impact

- There is one EZ in San Diego County (San Diego Regional Enterprise Zone). Since the zone falls entirely within the incorporated boundaries of the Cities of San Diego, Chula Vista, and National City, no EZ-related incentives are available directly in the unincorporated areas of the County. However, there could be an undetermined indirect impact to the County if repeal of the EZ inhibits business development.

HEALTH AND HUMAN SERVICES

Realignment – Health and Human Services (*Governor's Proposed Budget Summary, Pages 15-28; Legislative Analyst's Office Overview, Pages 16-20*)

- The Governor's Proposed Budget aims to restructure the state-local relationship by realigning government services in California by shifting authority from the state to local government in two phases. Under the proposal, \$5.9 billion in programs would be shifted from the state to counties in FY 2011-12 with the amount growing to \$7.3 billion by FY 2014-15. The funding source is a combination of sales tax and Vehicle License Fee (VLF) revenues.
- Until local governments fully take on all responsibilities, some of realignment revenues would be allocated to the state to pay for its costs to continue operating the realigned programs.
- **PHASE ONE:**
 - The first phase of the Governor's realignment proposal focuses on public safety and includes shifting responsibilities from the state to counties in the following areas:

- Mental Health Services (Early Periodic Screening, Diagnosis and Treatment [EPSDT], Mental Health Managed Care, AB 3632 services, existing community mental health services)
 - Substance Abuse Treatment
 - Foster Care and Child Welfare Services
 - Adult Protective Services
 - Court Security (**See Public Safety section of this document**)
 - Fire and Emergency Response Activities (**See Public Safety section of this document**)
 - Vehicle License Fees (VLF) for Public Safety Programs (**See Public Safety section of this document**)
 - Lower-level Offenders and Parole Violators (**See Public Safety section of this document**)
 - Adult Parole (**See Public Safety section of this document**)
 - Remaining Juvenile Justice Programs (**See Public Safety section of this document**)
 - **PHASE TWO:**
 - The second phase of the Governor's realignment proposal focuses primarily on the implementation of national health care reform. With the implementation of national health care reform the Governor's Proposed Budget assumes costs will naturally shift from the counties for indigent health to the state.
 - The Governor's Budget proposes an examination in the use of existing realignment and which level of government is best suited to provide health related programs. Phase Two assumes the state will become responsible for costs associated with health care programs, including California Children's Services and In-Home Supportive Services (IHSS), while the counties assume responsibility for CalWORKs, Food Stamp administration, child support, child care programs and public health programs.
- Unknown County Impact
- The state has not provided enough details to determine the impact.

Mental Health Services (*Governor's Proposed Budget Summary, Pages 24-25 & 114-116*)

- Prior budget action suspended the AB 3632 mandate which provides mental health services for children with disabilities for FY 2010-11.
 - The Governor's Proposed Budget shifts \$861.2 million in state funding in FY 2011-12 by using Mental Health Services Act (MHSA) fund balances (Proposition 63) to fund Early Periodic Screening, Diagnosis, and Treatment (EPSDT), mental health managed care program and mandated mental health services for special education students (AB3632). In FY 2012-13, MHSA would be replaced with dedicated revenue.
- County Impact
- Assuming that caseloads remain the same, no adverse impact to local mental health is anticipated if the Proposition 63 funding comes from an unallocated \$2 billion surplus.

Child Welfare Services (*Governor's Proposed Budget Summary, Pages 25 & 122-123*)

- In addition to the realignment proposals, the Governor's Proposed Budget includes a reduction of \$19 million in state funding by eliminating the Transitional Housing Program-Plus (THP-Plus) services for 18-19 year former foster youth. This proposal assumes implementation on July 12, 2011.
- County Impact
- Potential loss of \$0.7 million in funding to the County.
 - At the present time the County's Health and Human Services Agency (HHSA) contracts for housing and services for transitioning this age group. The amount of youth that could potentially be impacted is not known at this time. Although the impact to County Housing and Community Development (HCD) is estimated to be minimal, it is anticipated that this could result in an increased demand for the federal Home Investment Partnerships (HOME) funded tenant based program by HHSA's Child Welfare Services.

CalWORKs (*Governor's Proposed Budget Summary, Pages 117-119*)

- The Governor's Proposed Budget cuts \$1.5 billion in state funding for CalWORKs by eliminating monthly benefits for families that have received CalWORKs aid for 48 months or more, capping maximum monthly CalWORKs grant awards for a family of three at \$604 (a 13 percent reduction) and reducing the age eligibility for subsidized child care services. Additional details of these proposed cuts include:
 - Eliminating monthly benefits for families that have received CalWORKs aid for 48 months or more, with certain exceptions (currently set at 60 months). Child-only benefits would continue beyond the 48

month time limit for families fully meeting work participation requirements as well as child only benefits for families with unaided adult recipients of Supplemental Security Income/State Supplemental Payment (SSI/SSP) and non-needy caretaker relatives. This proposal assumes enacting state legislation by March 1, implementation on July 1, 2011 and would result in a reduction of \$698.1 million in state funding.

Unknown Local Impact

- As of September 2010, San Diego County had approximately 2,100 child-only cases. An unknown number of these cases could be affected.
- As of November 2010, San Diego County had approximately 691 cases over 48 months. An unknown number of these cases could be affected.
- Reducing CalWORKs grants by 13 percent. The maximum monthly grant for a family of three would be reduced from \$694 to \$604. The CalFRESH (formerly Food Stamp) benefit levels would increase, thereby reducing the impact to families' total resources. This proposal assumes enacting state legislation by March 1 and implementation on June 1, 2011 and would result in a reduction of \$405 million in state funding.

Local Impact

- This proposal would impact approximately 32,400 CalWORKs cases as well as approximately 400 children in non-federal relative placements in foster care.

County Impact

- This proposal would result in approximately \$0.2 to \$0.4 million in County savings.
- Maintaining the FY 2010-11 County Single Allocation reduction of \$377 million, which provides counties with block grant funding for CalWORKs employment services, child care and county administration.

County Impact

- The County would need to prioritize the use of the block grant funds to service clients in the most efficient and effective manner. Administrative services including eligibility, employment and child care would be reduced locally in alignment with the reduced funding.

• County Impact

- If all of the CalWORKs proposals are enacted, the County's allocation could be reduced by 10 percent, an estimated \$6 million reduction to San Diego County. This large of a reduction would affect the County's ability to provide services. This reduction could potentially be offset by an increase in Food Stamp and Medi-Cal administrative allocations.
- For those clients that participate in both CalWORKs and rental assistance programs administered by County HCD (including Section 8), there could be a reduction in tenant contributions. Reduced income from CalWORKs may make it more difficult for participant families to meet training and employment goals as part of the Family Self-Sufficiency Program.

• Local Impact

- If all of these proposals are enacted, Continuum of Care contractors funded by County HCD to provide housing and services for families may experience an increased demand for services.

Medi-Cal (*Governor's Proposed Budget Summary, Pages 95-107*)

- The Governor's Proposed Budget includes various cuts to the Medi-Cal program and assumes enacting state legislation by March 1, 2011 (unless noted), although some of the proposals require federal approval.
- Proposes \$1.7 million reduction in state funding by:
 - Limiting utilization of services. The proposed changes would take effect no later than October 1, 2011, based on the time needed to obtain federal approvals and provide necessary beneficiary and provider notification (\$217.4 million in state funding reductions).
 - Proposes setting a maximum annual benefit dollar cap on hearing aids, durable medical equipment, incontinence supplies, urological supplies, and wound care.
 - Limits prescriptions to six per month.
 - Limits the number of doctors visits to ten per year.
 - Requiring beneficiaries to share in the cost of services (currently co-pays in Medi-Cal are voluntary). The dental co-payment would be effective May 1, 2011. All other changes would take effect October 1, 2011, based on the time needed to obtain federal approval and provide necessary beneficiary and provider notification (\$557.1 million in state funding reductions).
 - Proposes a \$5 co-payment on physician, clinic, dental and pharmacy services.

- Proposes a \$50 co-payment on emergency room services and a \$100/day \$200 maximum co-payment for hospital stays.
- Eliminating Adult Day Health Care and other benefits (\$212.4 million in state funding reductions).
 - Proposes eliminating the Adult Day Health Care Program.
 - Proposes eliminating over-the counter cough and cold medications and nutritional supplements as Medi-Cal benefits.
- Reducing Medi-Cal Provider payments by 10 percent for physician, pharmacy, clinics, medical transportation, home health, Adult Day Health Care, certain hospitals, and nursing facilities as well as long-term care facilities, including nursing homes (\$709.4 million in state funding reductions). This proposal would require federal approval of a state plan amendment.

Local Impact

- Increasing costs to individuals and limiting services could result in financial and medical hardship. Specifically, California Children's Services families, seniors and disabled populations could be negatively impacted by limits placed on prescriptions and medical visits. These limits and increased costs could result in individuals avoiding to seek care and prescriptions thereby escalating their medical condition. Additionally, individuals with advanced medical issues, which may require stabilization and treatment from an emergency room or inpatients hospital setting, may not seek care because of the increased costs that would be incurred.
- Reducing provider payments may decrease the number of providers willing to accept Medi-Cal. There is a potential increase in the number of children accessing Child Health and Disability Prevention (CHDP) for vision services. Medi-Cal co-payments could negatively impact almost 4,000 kids in Foster Care who may have co-payments for medical appointments and prescriptions.
- It is unknown if these reductions are applicable to mental health or alcohol and drug services.

First Five San Diego (Proposition 10 Funding) (*Governor's Proposed Budget Summary, Pages 102, 104 & Entire Health and Human Services Proposed Budget Detail-Section 4250, Pages HHS 44-HHS 49*)

- The Governor's Proposed Budget redirects \$1 billion in Proposition 10 funds to fund Medi-Cal services for children through age five. Detail in the Health and Human Services Section of the Governor's budget indicates that the proposal would allow 50 percent of future state and local revenue to fund state general fund supported early childhood services. Subject to voter approval, this proposal would take effect July 1, 2011.

County Impact

- This proposal could result in an approximate loss of \$88 to \$98 million in First 5 San Diego funding.

Healthy Families (*Governor's Proposed Budget Summary, Pages 105-107*)

- The Governor's Proposed Budget reduces expenses of the Healthy Families Program, the state's federal State Children's Health Insurance Program (SCHIP), by eliminating the vision benefit, increasing premiums depending upon income and family size, and increasing co-payments.
- Proposes \$136.2 million in state funding reductions by:
 - Eliminating the separate vision coverage for all children participating in Healthy Families. Vision services through health plans would remain (\$11 million in state funding reductions). This proposal would take effect June 1, 2011, after required provider and beneficiary notification.
 - Increasing monthly premiums for families with income at or above 120 percent of federal poverty level (\$22 million in state funding reductions). Premiums would increase by:
 - \$14 per child (from \$16 to \$30) for families whose income is between 150 to 200 percent of federal poverty level and increase the maximum limit for a family with three or more children by \$42 for a family maximum of \$90.
 - \$18 per child (from \$24 to \$42) for families with income between from 200 to 250 percent of federal poverty level and increase the maximum limit for a family with three or more children by \$54 for a family maximum of \$126.
 - The proposed changes would take effect June 1, 2011 after required provider and beneficiary notification.
 - Increasing co-payments (\$5.5 million in state funding reduction). This proposal would increase co-payments for emergency room visits from \$15 to \$50 and inpatients stays from \$0 to \$100 day/\$200 maximum, to conform to a similar Medi-Cal cost-containment proposal. This proposal would take effect October 1, 2011, after appropriate provider and beneficiary notification.

- California currently taxes managed care organizations and uses these revenues to draw down federal funds, to fund rate increases in Medi-Cal, and to provide health coverage in Healthy Families. The Governor's Budget proposes to continue collecting revenues from taxes assessed on Managed Care Plans (\$97.2 million in state funding reductions). The proposal makes the tax permanent and uses the revenue for rate increase in Medi-Cal and to fund health coverage in Healthy Families.

Local Impact

- Increasing costs to individuals and limiting services could result in financial and medical hardship to California Children's Services families. This proposal may have an indirect impact to populations serviced in CHDP and Maternal, Child and Family Health programs.

In-Home Supportive Services (IHSS) (*Governor's Proposed Budget Summary, Pages 120-122*)

- The Governor's Proposed Budget includes reductions to the IHSS program and assumes enacting legislation by March 1 and implementation of each proposal by July 1, 2011.
- Reduces state funding for the IHSS program by \$127.5 million by implementing an 8.4 percent reduction to assessed hours for all IHSS recipients. This is on top of the 3.6 percent service hour reduction already in place in FY 2010-11 for a total reduction of 12 percent.

Local Impact

- Clients would lose approximately 10 hours of service monthly.
- Qualified IHSS recipients at risk of out-of-home care placement because of the reduction could apply for supplemental hours.
- Proposes elimination of certain domestic and related services for recipients in shared-housing situations for \$236.6 million in state savings. This includes housework, shopping for food, meal preparation and cleanup, and laundry. According to the California Department of Social Services, this proposal would impact all recipients living with others.

Local Impact

- Approximately 12,000 clients could be affected.
- Proposes elimination of IHSS services for recipients without physician certification, a reduction of \$120.5 million in state funding. This proposal would require a medical level of review for all IHSS applicants/recipients to ensure services are needed to avert out-of-home placement.

Local Impact

- Approximately 2,350 clients could lose services.
- Proposes \$1.6 million in state savings by eliminating state funding for IHSS Advisory Committees.

County Impact

- Although this proposal would eliminate the mandate for counties to establish advisory committees and would eliminate the corresponding state funding, counties would have the option to continue advisory committees at their own expense and thus would be eligible for matching federal funds.
- County Impact
 - The overall impact if all the IHSS funding cut proposals were adopted would result in County savings of \$14 to \$16 million, which would be partially offset by a loss in state funding.
 - Increase in monthly Housing Assistance Payment (HAP) made on behalf of tenants impacted by the reduction. Currently, approximately 250 tenants on HCD's Rental Assistance Program are employed by the IHSS program.
 - County HCD may need to provide additional services to disabled/elderly Rental Assistance recipients who could lose their IHSS providers. The services may include translation, assistance with completing application/recertification forms and assistance with gathering income/asset verifications.

Child Care Services (*Governor's Proposed Budget Summary, Page 145*)

- Proposes \$34 million in state funding reductions by eliminating child care eligibility for 11 and 12 year old children.

Local Impact

- This proposal would affect an estimated 300 children in 165 CalWORKs families. Loss of services for children may adversely impact Welfare-To-Work participation. This reduction could also impact the ability of foster parents to access child care for kids in their care. This could reduce the total number of foster homes available to accept kids which may shift kids to Foster Family Agencies or Polinsky thus increasing costs to the County.

- Proposes reducing eligibility from 75 percent of the state median income to 60 percent of the state median income for Stage 2 and 3 Child Care.

Local Impact

- Although San Diego County does not administer these programs, there is a potential impact to Stage 1 Child Care if clients receiving these services lose their child care and have to return to cash aid.

Proposes reducing the level of subsidies across the board. Local Impact

- The state has not provided enough information to determine the potential impact.

Veteran's Services (*Governor's Proposed Budget Summary, Pages 165-166*)

- The Governor's Proposed Budget relies on \$9.9 million in state savings by eliminating state funding for County Veterans Service Offices and Operation Welcome Home.

Local Impact

- An unknown number of clients may receive reduced services.

Aging Programs (*Governor's Proposed Budget Summary, Page 110*)

- The Governor's Proposed Budget eliminates the Multipurpose Senior Service Program (MSSP) optional benefit for a state funding reduction of \$19.9 million.

Local Impact

- Approximately 618 clients would lose services.

County Impact

- This proposal would result in an estimated County savings of \$62,000.

AIDS Care and Prevention (*Governor's Proposed Budget Summary, Pages 108-109*)

- Proposes \$16.8 million in state funding reductions by increasing client share of cost in AIDS Drug Assistance Program (ADAP) to the maximum percentage allowable under federal law for specified ADAP clients.

Local Impact

- This proposal may affect county residents that use this service from being able to afford their medications.

Department of Developmental Services (*Governor's Proposed Budget Summary, Pages 111-114*)

- Proposes to continue using California Children and Families Commission (Proposition 10) funding in FY 2011-12 to fund the Department of Developmental Services for a state general fund reduction of \$50 million.

Unknown County Impact

Supplemental Security Income/State Supplemental Payment (SSI/SSP) (*Governor's Proposed Budget Summary, Pages 119-120*)

- The Governor's Proposed Budget reduces funding for SSI/SSP by 3.8 percent (SSI/SSP is a program that provides monthly cash benefit aid to eligible aged, blind and disabled persons).
- Proposes \$177.3 million in cuts to state funding by reducing SSP grants for individuals to the federal minimum. Under this proposal, the maximum monthly SSI/SSP cash grant for individuals would be reduced by \$15 per month (from \$845 to \$830) beginning June 1, 2011.

Local Impact

- This proposal may impact up to 265 children that are in the Foster Care system and receive SSI benefits.
- Reductions in SSI cash grants may result in increased rent subsidies for those clients who receive SSI benefits and who participate in County-administered rental assistance programs.

Judicial Branch (*Governor's Proposed Budget Summary, Page 76*)

- The Governor's Proposed Budget includes \$17.4 million in state funding reductions by repealing the Trial Court Conservatorship Program. This proposal would eliminate statutory requirements to implement the Omnibus Court Conservatorship and Guardianship Act of 2006 (Act). Funds that would allow the courts to fully implement the Act have been deferred for several fiscal years on a one-time basis and as a result the program has never been operational statewide.

Unknown County Impact

- The state has not provided enough information to determine the impact to Public Administrator/Public Guardian's office or the Public Conservator's office.

Medical Disaster Response—Health Care Surge Capacity (*Governor's Proposed Budget Summary, Page 110*)

- California spends \$5.8 million annually to purchase mobile field hospitals and stockpile medical supplies, antivirals, and respirators to be used in the event of a disaster. The Governor's Proposed Budget communicates the Administration's intent to re-evaluate the use of these minimally used assets and how the state supports health care surge capacity.

Unknown County Impact**LAND USE AND ENVIRONMENT**

Transportation (*Governor's Proposed Budget Summary, Pages 83-85*)

- There is suggested language for two transportation trailer bills included in the Governor's Proposed Budget, as well as a renewed proposal to loan weight fee revenue to the state's general fund.
- The Governor's Budget Proposal seeks to reenact the 17.3-cent excise tax increase, which replaced the sales tax on gasoline, and the 1.75 percent sales tax rate increase on diesel fuel that were both adopted as part of the transportation tax swap in March 2010. The Governor's proposal is necessary because of the passage of Proposition 26 in November 2010, which retroactively established a two-thirds vote threshold for any tax measures occurring after October 2009 and is self-executing in November 2011.
 - The Governor's Proposed Budget includes trailer bill language that would reenact the 2010 gas tax swap, which will be invalidated by the execution of Propositions 26 unless it is reenacted by a two-thirds vote. No bill has been introduced to this point.

County Impact

- The impact to the County is an approximate \$20 million annual decrease in local street and road funding in FY 2011-12 compared to FY 2010-11, if the bill is never introduced or if the bill does not pass.
- If the bill is passed (two-thirds vote) and is signed by the Governor, local streets and highway spending would not be adversely impacted.
- The Governor's Proposed Budget also includes trailer bill language that would appropriate additional funds from the state's Public Transportation Account fund balance to ensure that local transit agencies continue to receive the equivalent of 75 percent of diesel sales tax revenues as well as the non-Article XIX revenues they were set to receive as part of the 2010 tax swap. No bill has been introduced to this point.

No County Impact

- The Governor's Proposed Budget includes the use of \$262.4 million in weight fee revenues in FY 2010-11 and \$700 million in FY 2011-12 to reimburse the state's general fund for debt service payments made on transit and highway general obligation bonds.

No County Impact

- The Governor's Proposed Budget includes a loan to the state general fund of \$494 million in weight fee revenues in FY 2010-11 and \$166.3 million in FY 2011-12 under the category "Special Fund Loans."

No County Impact**Indian Gaming** (*Governor's Proposed Budget Summary, Pages 62-63*)

- The Governor's Proposed Budget shows state general fund revenues from tribal gaming as \$364 million in FY 2009-10, FY 2010-11, and FY 2011-12. For FY 2009-10 and FY 2010-11, about \$100 million in revenue was transferred from a special deposit fund to the state's general fund, absent the sale of bonds to fund certain transportation programs to which this revenue had been allocated. Ongoing litigation has dimmed the prospects for a bond sale. Absent a bond sale, the Governor proposes to continue transferring this revenue to the state's general fund for another five years starting in FY 2011-12. Currently, this transfer doesn't impact the Indian Gaming Special Distribution Fund.

Unknown County Impact

Water Resources – Basin Plan Funding (*Governor's Proposed Budget Summary, Page 94*)

- The Governor's Proposed Budget includes an ongoing state general fund reduction of \$12.8 million and a corresponding increase in the Waste Discharge Permit Fund and Water Rights Fund. This is tied to proposed statutory changes to authorize the State Water Resources Control Board to assess a fee for basin planning activities.

No County Impact

Agriculture, Weights and Measures (*Governor's Proposed Budget Summary, Pages 163-164*)

- The Governor's Proposed Budget calls for the Secretary of Food and Agriculture to convene "key agricultural and industry individuals" to identify and recommend cuts to programs resulting in state general fund reduction of \$15 million in FY 2011-12, and \$30 million ongoing. Depending on which programs are identified for cuts, there could be impacts to the County. The proposal calls for these recommendations to be submitted by February 1, 2011.

Unknown County Impact

PUBLIC SAFETY

Realignment – Public Safety (*Governor's Proposed Budget Summary, Pages 15-28; Legislative Analyst's Office Overview, Pages 16-20*)

- The Governor's Proposed Budget aims to restructure the state-local relationship by realigning government services in California by shifting authority from the state to local government in two phases. Under the proposal, \$5.9 billion in programs would be shifted from the state to local governments in FY 2011-12 with the amount growing to \$7.3 billion by FY 2014-15. The funding source is a combination of sales tax and Vehicle License Fee (VLF) revenues.
 - Until local governments fully take on all responsibilities, some of realignment revenues would be allocated to the state to pay for its costs to continue operating the realigned programs.
 - **PHASE ONE:**
 - The first phase of the Governor's realignment proposal focuses on public safety and includes shifting responsibilities from the state to counties in the following areas:
 - Court Security
 - VLF Public Safety Programs
 - Lower-level Offenders and Parole Violators
 - Adult Parole
 - Remaining Juvenile Justice Programs
 - Fire and Emergency Response Activities
 - Mental Health Services (**See Health and Human Services section of this document**)
 - Substance Abuse Treatment (**See Health and Human Services section of this document**)
 - Foster Care and Child Welfare Services (**See Health and Human Services section of this document**)
 - Adult Protective Services (**See Health and Human Services section of this document**)
 - **PHASE TWO:**
 - The second phase of the Governor's realignment proposal focuses primarily on the implementation of national health care reform. (**See Health and Human Services section of this document**)
 - Phase Two realignment also includes a proposal to transfer child support services to counties.
- Unknown County Impact

Transfer Court Security to Counties (*Governor's Proposed Budget Summary, Page 22*)

- The Governor's Proposed Budget would transfer the funding of court security to counties. Under current law, court security is defined as court operation, with costs covered by the Trial Court Trust Fund. Under this proposal, \$530 million and responsibility for court security would transfer to counties with the responsibility for performing this function remaining with county sheriff departments.

Unknown County Impact

Continuation of Current Public Safety Programs – the Local Safety Protection Account (*Governor's Proposed Budget Summary, Page 22*)

- The Governor's Proposed Budget includes ongoing state general fund support for specified public safety programs, with those state general funds backfilled dollar-for-dollar with realignment funds. The proposal states that, with realignment funds, the programs would be restored to the funding levels enacted in the FY 2008-09 state budget. Although state general funds are proposed for these programs at current funding levels, if the realignment plan is not implemented (dependent upon approval of tax extension), there is no guarantee the state will provide ongoing funding.

County Impact

- Risk to \$20.6 million in current programs in Probation, Sheriff and District Attorney. These programs include Citizens Option for Public Safety (COPS) supporting jail staffing, law enforcement and prosecution activities, Juvenile Justice Crime Prevention Act, Juvenile Probation Camp Funding, Booking Fee Subvention, Vertical Prosecution and the High Technology Theft Apprehension and Prosecution Program.

Lower-Level Offenders and Parole Violators Shifted to Counties (*Governor's Proposed Budget Summary, Pages 22-23*)

- The Governor's Proposed Budget would prospectively transfer to counties the responsibility to manage low-level offenders by requiring that non-violent, non-serious, non-sex offenders serve their terms locally in jail and/or on probation. Eligible offenders to remain in local jurisdictions could not have any previous violent, serious or sex offenses. Statewide, this is estimated to include 37,000 offenders, of which 6,500 are parole violators.

County Impact

- Unknown number of offenders would shift to counties, with sentences determined by the court, and with an unknown amount of revenue per offender.
- Approximately 2,500 to 3,000 offenders are estimated to remain in San Diego County annually. It is not known whether sufficient revenues would be provided to counties to incarcerate these offenders or to provide services and support in the community if appropriate.

Adult Parole Responsibility Shifted to Counties (*Governor's Proposed Budget Summary, Pages 23-24*)

- The Governor's Proposed Budget would prospectively shift the entire responsibility for adult parolees to counties. Counties would assume supervisory responsibility for all parolees upon their release from state prison. Statewide, the Legislative Analyst's Office estimates counties would be responsible for about 18,500 parolees in FY 2011-12, growing to 66,900 upon full implementation in FY 2014-15.

County Impact

- The transferred population would include all offenders, including high risk offenders. The local population on state parole totals 9,000. This population currently has a 70 percent recidivism rate, and would require a high level of supervision. It is not known whether sufficient revenues would be given to counties to provide the required level of supervision for these offenders or to provide services and support in the community if appropriate.

Juvenile Offenders Transferred to Counties (*Governor's Proposed Budget Summary, Page 24*)

- Prior budget action realigned the majority of youth offenders to counties. The Governor's Proposed Budget seeks to end the state's role in housing and treating youth offenders who would now serve all of their sentences locally.
- The Governor's Proposed Budget eliminates the Division of Juvenile Justice (DJJ) by June 30, 2014. This budget proposal would require counties to house, treat, and supervise all juvenile offenders – including the 707(b) population which is now under DJJ's jurisdiction.

County Impact

- Transitions all offenders housed treated and supervised by DJJ to the counties. This population includes wards with true findings for serious, violent and sex offenses who require secure custody. Would increase populations in custody by approximately 20 offenders annually. It is not known whether sufficient revenues will be provided to counties to house these offenders.

Fire and Emergency Response Activities (*Governor's Proposed Budget Summary, Page 21*)

- The Governor's Proposed Budget calls for a change in statute to revise the criteria and definitions of State Responsibility Areas (SRAs) to ensure that local governments assume the responsibility for populated wildland areas. It is estimated that this proposal will result in the realignment of up to \$250 million of CAL FIRE's fire

protection program to local governments. This proposal would require a change in statute to revise the criteria and definitions of SRAs. The State Board of Forestry will also be required to conduct an extensive review of existing state responsibilities based on the revised criteria.

Unknown County Impact

CAL FIRE (*Governor's Proposed Budget Summary, Pages 90-91*)

- The Governor's Proposed Budget decreases CAL FIRE's staffing levels from four firefighters per engine to three firefighters per engine during peak fire season, returning to the pre-2003 level of per-engine staffing.

County Impact

- In San Diego County, 18 CAL FIRE stations with up to 26 engine companies would be staffed with 3 firefighters rather than 4 firefighters.

Suspend County Share of Child Support Collections (*Governor's Proposed Budget Summary, Page 125*)

- The Governor's Proposed Budget suspends counties' share of child support collections in FY 2011-12. This action will withhold \$24.4 million from local child support agencies, allowing the entire non-federal portion of child support collections to benefit the state general fund. The Governor's Proposed Budget states that this would not reduce the revenue stabilization funding of \$18.7 million (\$6.4 million general fund) that counties currently receive.

County Impact

- This would impact the resources Child Support uses to leverage available federal funding and prevent counties from reinvesting this revenue locally.
- Potential total resource loss of up to \$3 to \$4 million.

Reduction to the Courts (*Governor's Proposed Budget Summary, Pages 75-77*)

- The Governor's Proposed Budget permanently decreases \$200 million in funding for the courts beginning in FY 2011-12.
- The Governor's Proposed Budget provides the Administration intends to evaluate the Judicial Branch and work with stakeholders and the Judicial Branch to identify ways to implement this reduction such as looking at potential duplication of some state operations functions and evaluating the availability of fund reserve balances for short-term savings.

Unknown County Impact

Federal Funds to Offset Full Cost of Incarceration of Criminal Aliens (*Governor's Proposed Budget Summary, Page 133*)

- The Governor's Proposed Budget includes a discussion regarding the lack of full federal reimbursement of the state's costs for offenders who are not legal residents. The state estimates their cost to incarcerate to be approximately \$938.6 million and only anticipates receiving \$88.1 million in federal State Criminal Alien Assistance Program (SCAAP) funding for FY 2010-11 and FY 2011-12.